

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF PUERTO RICO**

IN RE:

MEDSCI DIAGNOSTICS INC.,

Debtor

Chapter 11

Case No.: 10-04961

MEDSCI DIAGNOSTICS, INC.

Debtor-Plaintiff

Adversary Proceeding

Case No.: 10-00094

vs.

**STATE INSURANCE FUND
CORPORATION**

Defendant.

MOTION TO INFORM

TO THE HONORABLE ENRIQUE S. LAMOUTTE,
UNITED STATES BANKRUPTCY JUDGE:

COMES NOW, the State Insurance Fund Corporation (the “SIF”), through its undersigned counsel, and informs as follows:

1. Since the inception of this case, plaintiff MEDSCI Diagnostics, Inc. (“MEDSCI”) has been informing the Court that it allegedly did not have the necessary cash flow to fund its operations and would, thus, cease to exist in a matter of days. See e.g. Docket Nos. 1, 9, 63, 72 and 79.

2. While making these statements to the Court (of having no cash flow to fund its operations), MEDSCI’s principals have receiving substantial monetary benefits in the immediate months prior and after MEDSCI’s filing for bankruptcy. For example, in the three (3) months

prior to MEDSCI's bankruptcy petition (March, April and May 2010), Ralph Vallone, Jr. and Osvaldo Carlo each received at least \$74,750.00 in payments from MEDSCI. See Statement of Financial Affairs, Case No. 10-04961 (ESL), Docket No. 26, pp. 8 and 9. That is, on average for the three (3) months prior to MEDSCI's bankruptcy petition, MEDSCI's principals each received a monthly benefit of at least \$24,916.17.

3. After MEDSCI's bankruptcy petition, its two (2) principals have each been receiving benefits of at least \$12,000.00 on a monthly basis for June and July 2010. See Monthly Operating Reports, Case No. 10-04961 (ESL), Docket Nos. 33 (p.15) and 35 (p.15).

4. In short, despite MEDSCI's allegations that it does not have the necessary funds to remain in operation, the fact is that MEDSCI is still operating today and its two (2) principals are obtaining substantial monetary benefits from this entity, even after the bankruptcy petition and the commencement of this adversary proceeding.

WHEREFORE, the State Insurance Fund Corporation respectfully requests that this Honorable Court take notice of the foregoing.¹

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico this 21st day of August, 2010.

¹ The SIF hereby represents that this submission shall not be construed as a waiver of its argument that the Medical Services Contract herein is null and void, as discussed in more detail at Docket Nos. 38 and 49, which is still under consideration by this Court.

It is certified that on this same date, a true copy of the foregoing was filed through the Court's CM/ECF system, which will generate a notice to all CM/ECF participants in this case.

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